



Client Enrichment Series

Welcome to today's presentation on:

GSA Pricing Policy Overview

the presentation will start at 10:00 AM PST

Note: Phones are automatically muted during the presentation. You have the ability to send questions to the host and presenters through the chat feature. They will answer as many of the questions as possible at the end of the presentation. All questions will be captured, and answers sent to all participants within 2 weeks.



Client Enrichment Series

PBS Pricing Policy

Hosted by:

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GSA Public Buildings Service

Legislative Foundation

- Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. § 586)

“GSA Administrator is authorized and directed to charge anyone furnished space and services at rates that approximate commercial charges for comparable space and services”

Rent

- Leased space
 - Rent is a pass-through of the underlying lease contract rent plus:
 - any standard operating costs not performed through the lease
 - PBS lease fee
- Federally owned space
 - Rent is based on an appraisal or return on investment

The Occupancy Agreement (OA)

- Statement of the business terms between PBS and the tenant agency for a specific space assignment
- Interagency agreement
- Serves as the billing document

Types of OAs

- **Pro Forma OA**
 - Estimate of rent charges
 - Additional iterations as appropriate
- **Final OA**
 - Billing OA reflecting rent charges
- **Administrative OA**
 - Revisions to billing OAs that do not require customer signature
 - Sent to customer with a cover letter for notification purposes

Four Parts to the OA

Description of
Space and
Services

Clauses
(Terms and
Conditions)

Signature
Page

Financial
Summary

Description of Space and Services

OCCUPANCY AGREEMENT
Between
SOCIAL SECURITY ADMINISTRATION (2804)
And
GENERAL SERVICES ADMINISTRATION

AAZ00328	Final	Version:	12	Date Last Modified:	10-Jan-2012
AZ7134ZZ		LAZ99013		Increased Space	

SOCIAL SECURITY ADMINISTRATION (Code 2804) will occupy 29,320.61 usable (29,602.00 rentable) square feet of space and 0 structured parking spaces and 4 surface parking spaces at AIR LIBRE AND TATUM BOULEVARD (AZ7134) located at 16241 N. TATUM BOULEVARD, PHOENIX, AZ, for a period of 106 months commencing on or about 02/16/2008.

SOCIAL SECURITY ADMINISTRATION (Code 2804) will pay the General Services Administration rent in accordance with the attached page(s). In addition to the annual rental to be paid, SOCIAL SECURITY ADMINISTRATION (Code 2804) will make a lump sum payment for buildout and other related services in excess of the amount of the Tenant improvement allowance amortized in the rental rate, in accord with the attached page(s).

SOCIAL SECURITY ADMINISTRATION (Code 2804) will pay the General Services Administration additional rent for prorated share of joint use space associated with this location, if any.

Additional/reduced services are shown on the attached Occupancy Agreement Financial Summary.

Types of OA Clauses

Clause Type	Requirement	Application
PBS standard clauses	Mandatory	Required for all occupancies, separate set for leased and federally owned space
Agency specific clauses	Mandatory or optional	Could apply to all of a tenant agency's occupancies (mandatory) or just a subset (optional)
Optional clauses	Optional	Could apply to any occupancy, based on the situation
Ad hoc clauses	Optional	Specific to one occupancy

Standard Clause – Promoting Efficient Spending

Mandatory Clauses

Promoting Efficient Spending

Promoting Efficient Spending to Support Agency Operations

In accordance with the Presidential Memorandum "Disposing of Unneeded Federal Real Estate" issued on June 10, 2010 and Office of Management and Budget Memorandum "Promoting Efficient Spending to Support Agency Operations" issued on May 11, 2012, Executive agencies shall not increase the size of their overall civilian real estate inventory and increases in an agency's total square footage must be offset by reductions elsewhere. SOCIAL SECURITY ADMINISTRATION is aware of Section 3 - Real Property of the OMB memo.

- Clause included in OAs for executive branch agencies
- Customer is responsible for ensuring compliance with OMB restrictions

Standard Clauses – Customer Rights

Occupancy Agreement Iterations

The parties hereby agree that iterations of OAs prepared before completion of a building design, and before final security/joint use charges are provided, contain preliminary financial terms only. Financial terms in preliminary OAs are estimates for budgeting purposes, and are updated through additional OA versions as business terms evolve throughout the space acquisition. Accordingly, execution by the tenant agency on preliminary OAs constitutes that agency's commitment to the project, and is required prior to PBS awarding any contract for: design, construction/alterations, and/or a lease. Until site purchase or contract award to a design architect, the tenant agency has the right to cancel the proposed project without financial obligation.

Financial Terms

While this occupancy agreement (OA) addresses financial terms that cover multiple fiscal years, the parties agree that: The tenant agency may relinquish space upon four (4) months' notice at any point after the first twelve (12) months of occupancy. Thus, after the first twelve (12) months of occupancy, the tenant agency's financial obligation can be reduced to four (4) months of Rent, plus the unamortized balance of any tenant improvements financed through PBS, plus any rent concession not yet earned. Any free Rent or other concession given at the beginning of the occupancy term must be allocated on a pro-rata basis over the entire OA term, and the unearned balance repaid to PBS.

The tenant's financial obligations for years beyond the current year do not mature until the later year(s) are reached. Thus, there is no requirement that the tenant agency certify that current year funds are available to defray future year obligations. The tenant's future years obligation to pay Rent is subject to the availability of funds, but the tenant agrees to make a good faith effort to meet its obligations as they arise.

Cancellation Rights

- Prior to Contract Execution
 - No fault cancellation
- After Contract Execution, Prior to Rent Start
 - Agency is liable for the lesser of these costs
 - 16 month rental obligation had it occupied the space, plus the unamortized balance of the TIs
 - In the case of a lease, the lease buyout costs, or
 - In the case of a owned space, the total project costs incurred

Return of Space Rights

- With 4 months' written notice, tenant has right to release space to PBS provided the following conditions are met:
 - There is no longer a need for the space
 - The space is in marketable blocks
 - The space is not designated as non-cancelable
 - The tenant is at least 16 months into their occupancy term

Standard Clauses – Rent Start

Obligation to Pay Rent

The Tenant agency's obligation to pay rent for the space governed by this OA commences when both of the following occur: the space is substantially complete and operationally functional. Occupancy and rent start will be coordinated with the Tenant.

1. The space is ready for occupancy of personal property, typically the substantial completion date. Substantial completion is signaled in the case of leased space by the granting of an occupancy permit by the proper authority and/or by PBS's acceptance of the space as substantially complete in accordance with the lease. "Substantially complete" and "substantial completion" mean that the work, the common and other areas of the building, and all other things necessary for the Government's access to the premises and occupancy, possession, use and enjoyment thereof, as provided in the lease, have been completed or obtained, excepting only such minor matters as do not interfere with or materially diminish such access, occupancy, possession, use or enjoyment.

PBS will offer to an authorized representative of the Tenant the opportunity to participate in a walk-through of the space prior to final acceptance of the space as substantially complete by PBS. The authorized representative of the Tenant will make himself or herself available so as to not delay the walk-through of the space. The authorized representatives of PBS and the Tenant will itemize any defects and omissions (D&Os, or "punch list") of the construction project that will need to be corrected prior to final contract payment. Provided that the D&Os are minor matters not materially diminishing use of the space, the authorized representative of PBS, acting on behalf of the Government and its Tenant, will determine substantial completion.

Standard Clauses – Rent Start Continued

2. The space is operationally functional. Operationally functional means that the building systems included in this lease must function and Lessor-provided building-specific safety and security features must be operational. Related space that is necessary for a Tenant to function due to workflow adjacencies must be operational. For large projects that entail phased occupancy of the Tenant's space, rent will commence on the individual blocks of space when they are substantially complete and operationally functional. The blocks will be added to the Occupancy Agreement (OA) incrementally. In the case of phased occupancy with separate OAs (example, different Agency/Bureau codes), the rent start date for each OA will occur when the space associated with it is substantially complete and operationally functional.

If there is a substantial punch list for the space that would interfere with the Tenant's full access, occupancy, possession, use and enjoyment of the space, and the Tenant chooses to move in anyway, GSA will negotiate a rent discount with the Lessor while the punch list work is being completed. If after hours work is required, GSA will ensure that adequate security is provided while the contractor is in the Tenant's space.

Once the above "substantially complete" and "operationally functional" requirements have been met, rent will commence. GSA does not provide tenant agencies a grace period prior to rent commencement to accomplish the physical move into the space or to allow for the installation of personal property such as phones, furniture, computers, etc. However, rent should not start until those personal property items that have been included in the lease contract, such as telephone and data systems or audio/video systems, are operational unless the Tenant chooses to move into the space pursuant to the preceding paragraph.

Rent Start

- Tenant agency's obligation to pay rent when space governed by the OA is:
 - substantially complete
 - operationally functional
- Occupancy and rent start will be coordinated with the tenant
- Phased occupancy allowed
- No grace period for moves or installation of personal property

Standard Clauses – Move Cost Responsibility

Move Cost Responsibilities

At the end of this OA term, if the tenant cannot remain in the space covered by this OA, the tenant is responsible for funding the physical move to new space. In the event PBS displaces or allows another user to displace the tenant before the expiration of the OA term, PBS must fund, or require the new user to fund, the tenant's physical move, and relocation of the tenant's telecommunications equipment. PBS must also reimburse, or require the new user to reimburse, the tenant for the undepreciated value of any lump sum payments the tenant made toward tenant improvements and the Rent differential at the new location until the displaced agency has time to budget. The Rent differential is calculated on all elements of Rent except the amortized tenant improvement cost.

- Customer agency responsible for funding their own physical moves and telecommunication costs
- Customer should be prepared to fund move costs at the end of their OA term

Standard Clauses – Move Schedule

Tenant Agency Move

In the event the space covered by this OA involves a tenant agency move, once a design and construction rider or schedule has been made part of a lease contract, the rider/schedule must be incorporated into this OA. Once part of this OA, the schedule/rider becomes binding upon the tenant agency as well as upon PBS. Delay in project completion caused by either a) tenant agency failure to meet the review and approval times provided in the lease rider, or b) tenant changes to project scope, will be borne by the tenant agency. As a consequence of tenant-caused delay, the lessor may decline to postpone the scheduled substantial completion date (thereby advancing Rent commencement for the space) by the duration of the tenant-caused delay, on a day to day basis; this may result in rent charges at two locations simultaneously for the tenant. Additional direct expenses caused through tenant-caused delay or changes in project scope are chargeable against the tenant allowance; in the event the tenant allowance has been exhausted, the tenant must pay the lump sum cost by RWA. In summary, the tenant is responsible for the delay claim of the affected contractor and for rent that GSA budgeted to start on the date included in the Occupancy Agreement. If partial occupancy of the building is not possible due to one agency change, that agency is liable for the other tenant's rent who are unable to occupy their space on the date contained in their Occupancy Agreement. The rent start date should be adjusted for delay of occupancy caused by the lessor failing to deliver the real property on time. The rent start date should not be adjusted for delay of occupancy caused by a contractor failing to install personal property on time with one exception. For those personal property items that have been included in the lease contract, such as telephone and data systems, or audio/video systems, and the systems are not ready, the rent start date should be adjusted. Delayed furniture delivery and installation, which is not part of the lease contract, is not reason for delaying the rent start date. In its role as tenant representative, PBS may also be the cause of delay. Expenses associated with PBS-caused delay incurred by

Standard Clauses – Move Schedule Continued

the tenant, for such things as additional storage for furniture, re-procurement expense, or additional consulting fees, will be credited against the tenant's rent obligation to PBS for the new space. In the case of lessor-caused delay, if there is a liquidated damages clause in the lease, PBS will pursue the lessor for the value of the damages. In the case of excusable delay (e.g., force majeure or any other delay the cause of which is beyond the reasonable control of either PBS or the tenant agency), neither PBS nor the tenant agency may pursue the other for the consequences of the delay.

- Schedule and project delays
 - Tenant caused delay
 - PBS and lessor caused delays
 - Excusable delay
- Tenant bears the cost of tenant caused delays

Standard Clauses – Lease Rent

Lease Contract Rent

The underlying lease contract rent will be passed through to the tenant agency. For a non-fully serviced lease, the cost of operating services not covered by the lease will also be passed through to the tenant agency. The PBS fee in leased space, calculated at 7% of the annual lease contract cost plus the cost of separately contracted operating services, will also apply. Charges for security and GSA-installed improvements may apply as well.

Charges for operating expenses, joint use space, parking, security and real estate taxes may be adjusted on an annual basis.

- Direct pass-through of lease contract cost
- Operating Costs are typically escalated annually by CPI
- Leases charged a fixed, non-divisible 7% PBS Fee
 - 5% fee for non-cancelable space
 - 4% fee for USPS controlled space

Standard Clauses – Federally Owned Rent

Federal Rent Charges

Federal rental charges will consist of a shell rent plus amortized tenant improvements, if applicable. There may be additional charges for operating expenses, security, joint use, parking, and other space items such as antennas. Regardless of the OA term, the shell rate or "as is" rate is set for periods up to but not beyond five (5) years. For OAs with terms beyond 5 years, the shell or "as is" rent will be re-appraised every 5 years. In the case of buildings priced on a "Return on Investment" approach, the rent attributable to the original shell improvements will remain level for the duration of the OA. If additional capitalized shell replacements or improvements are made, the Shell Rent rate will be adjusted every 5 years to reflect the additional investment. Charges for operating expenses, joint use space, parking, antennas and security may be adjusted on an annual basis.

- Rent established by FAR Appraisal or ROI
- Shell rent and operating base established for up to 5 year periods
- Operating costs escalated annually by OMB inflation factor

OA Signature

OA #: AAZ00328 OA Status: Final Version: 12 Loc Code: AZ7134ZZ

Other Mandatory Clauses

Tenant Improvement Amortization Cost

SOCIAL SECURITY ADMINISTRATION (Code 2804) has elected to expend a total of \$325,742.65 for their tenant improvements. This amount has been amortized in the rent and is itemized on the Financial Summary.

Tenant Improvement Lump Sum Cost

SOCIAL SECURITY ADMINISTRATION (Code 2804) has elected to pay all or part of their TI Expended amount via a Reimbursable Work Authorization (RWA). The total RWA amount is \$100,000.00 and includes the TI amount of \$90,315.93 plus the RWA fee of \$9,684.07.

Security Services

Beginning in FY 2005, payment for FPS provided Basic and Building Specific Operating Security will be made to the Federal Protective Service (FPS), Department of Homeland Security (DHS) and will be separate from rental payments to GSA (OMB Object Class 23.1). Charges for FPS provided security are determined by, and may be obtained from, FPS.

Optional Clauses

Ad Hoc Clauses

I agree to the initial terms with the understanding modifications will be made over time.

Approved	Approved
Agency Representative	GSA Representative
Title	Title
Date	Date

OA Signature

- Signature required before PBS
 - Awards a lease contract
 - Purchases a site
 - Awards a design contract
 - Expands space assignment
 - Revises the OA terms



OA Financial Summary

OA #: AIL05277 OA Status: Final Version: 6 Loc Code: IL0236FC

DOL EBSA - JCK - Lease to Federal Eff

05/01/2011

AIL05277

1605

Final

LD EMPLOYEE BENEFITS SECURITY

ADMINSTRATION

IL0236FC

04-Oct-2012

30-Apr-2016

Version: 6

Page: 1 of 4

Date Last Modified: 04-Oct-2012


Fiscal Year Update

Fiscal Year: 2013


Period: 04-Oct-2012 to 30-Sep-2013

	Charge Basis	Annual Charge	Annual Rate
1. Shell Rental Rate			
a. General	21,157	\$416,573.26	\$19.690000000
2. Amortized Tenant Improvement Used/General	21,157	\$142,617.63	\$6.741050000
3. Operating Costs ##	21,157	\$112,212.36	\$5.303896537
A. Market Rent SubTotal	21,157	\$671,403.25	\$31.734946537
5. Amortized Tenant Improvement Used/Custom	21,157	\$21,850.31	\$1.032790000
7. Security Services			
c. Building Specific Amortized Capital	21,717	\$6,539.09	\$0.301110000
B. Agency Rent SubTotal	21,157	\$28,389.40	\$1.341870455
12. Pro-Rata Joint Use Charges			
a. Building Amenities	560	\$16,525.56	\$29.508868465
C. Joint Use SubTotal		\$16,525.56	
D. Total Annual Rent (A+B+C)	21,157	\$716,318.22	
E. Adjustments SubTotal		\$0.00	
F. Total Rent Bill(D+E)		\$716,318.22	
G. Total Antenna Bill		\$0.00	
H. Total Reimbursable Services Bill		\$0.00	
I. Total PBS Bill (F+G+H)		\$716,318.22	
J. LUMP SUM ITEMS			

<https://www.pbs-billing.gsa.gov/ROW/>



General Services Administration
Public Buildings Service
Rent On The Web (ROW)



Client Secure Access

User Name or Email ID:

Password:

Sign In

Forgot Password

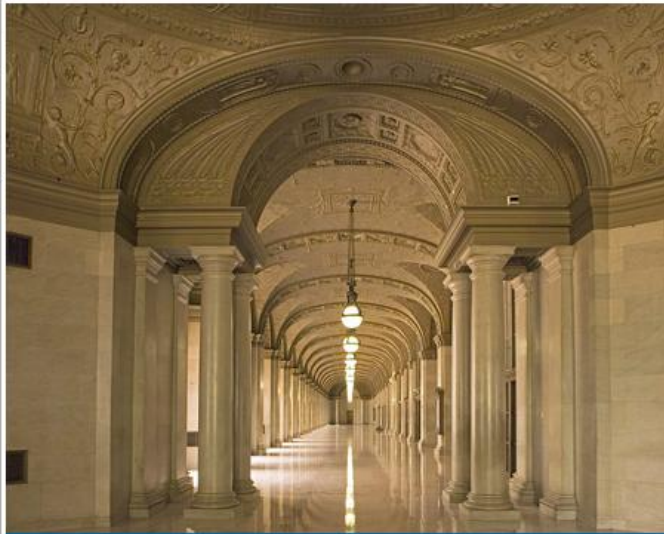
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Support

Help Desk Telephone Numbers:
(202) 219 - 1054
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John Minor Wisdom U.S. Court of Appeals Building
New Orleans, Louisiana.

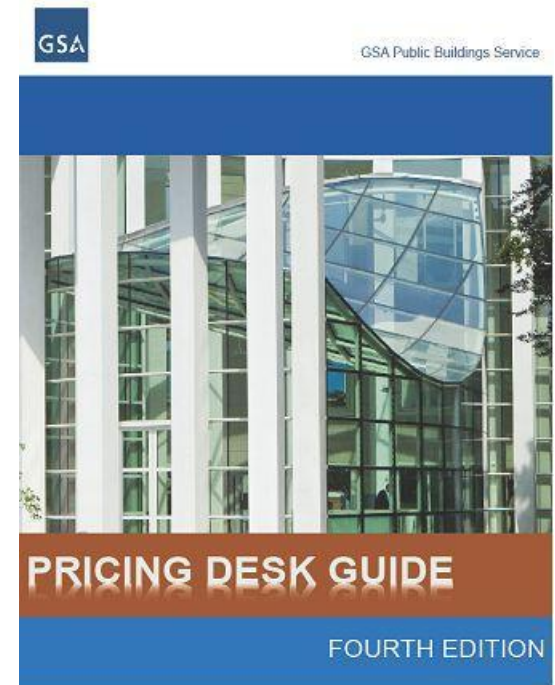
Since 2001, customers have been able to access their rent bills on the Internet through Rent on the Web (ROW). Not only does ROW allow PBS to drastically reduce the administrative efforts that is associated with paper billing, but it also delivers the message to our customers that serving them is a priority.

ROW gives customers real-time access to their rent information, which allows them to review their rent bills at the time that is most convenient to them. Obviously, web-based billing information reaches our customers more quickly than billing information that is sent by traditional mail. ROW also allows our customers to electronically download rent information for analysis.

Warning! This is a US General Services Administration Federal Government computer system that is "FOR OFFICIAL USE ONLY". This system is subject to monitoring. Therefore, no expectation of privacy is to be assumed. Individuals found performing unauthorized activities are subject to disciplinary action including criminal prosecution.

Pricing Desk Guide (PDG), 4th Edition

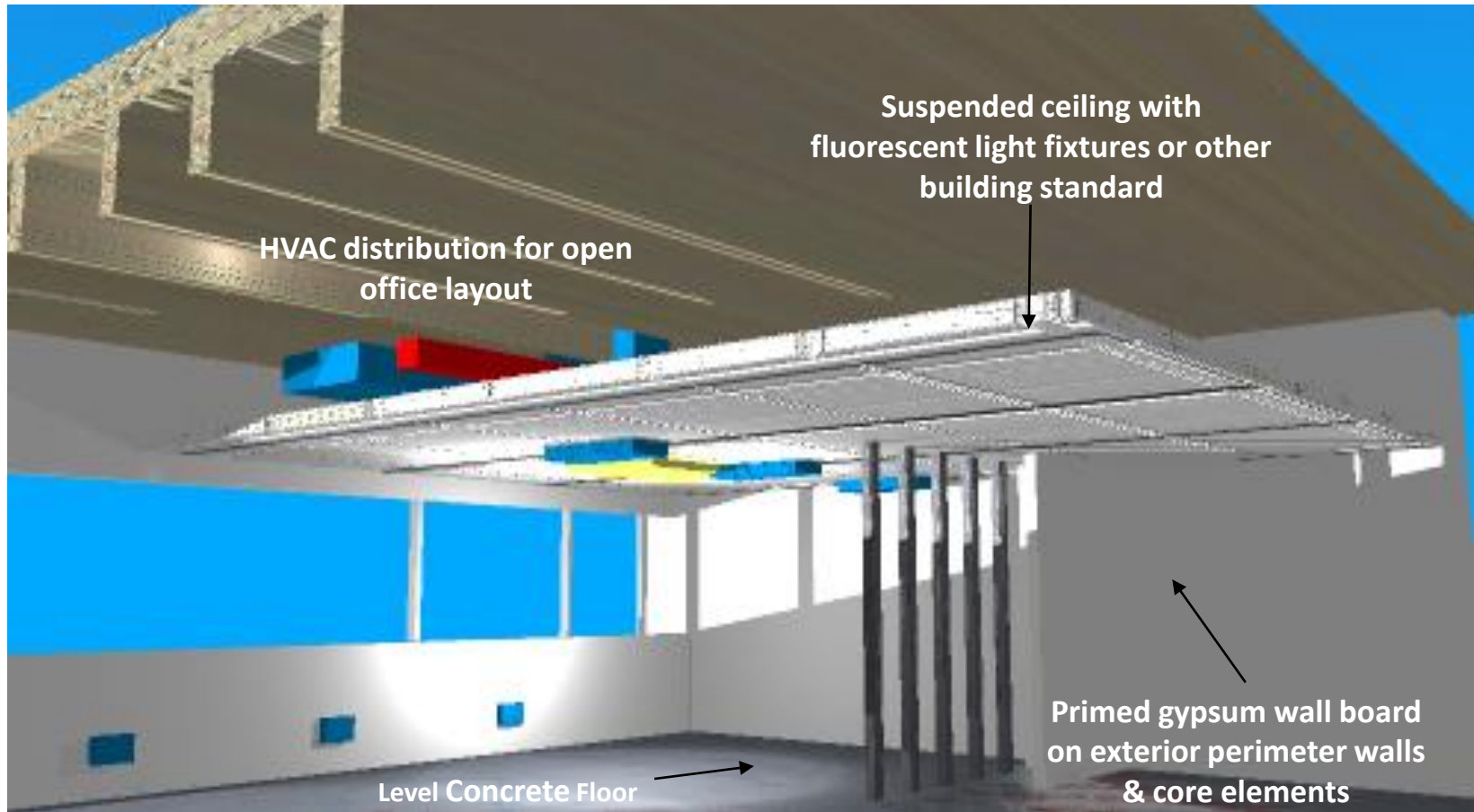
- Chapter 1: Introduction
- Chapter 2: Pricing in Leased Space
- Chapter 3: Pricing in Federally Owned Space
- Chapter 4: Move Policy
- Chapter 5: Tenant Agency Rights and Options
- Chapter 6: Return on Investment Pricing
- Chapter 7: U.S. Postal Service Pricing
- Chapter 8: Congressional District Offices
- Chapter 9: Emergencies



PBS Building Shell

- PBS uses the shell definition for consistency
- Building standards and design guides are not necessarily part of the building shell
- Tenant agency driven upgrades to building shell are considered TI
- The shell and TI distinction is an impermeable barrier or "firewall" across which funding cannot shift

Building Shell in Tenant Area



Application of TI Allowances

- Tenant agency elects how its space is to be finished
- Rent payment is lower if an amount less than the allowance limit is used
- If the full allowance is not used for initial buildout, it is no longer available
- Only used to pay for real property
 - Including movable walls

TI Allowance Cannot Fund Personal Property

Examples Include:

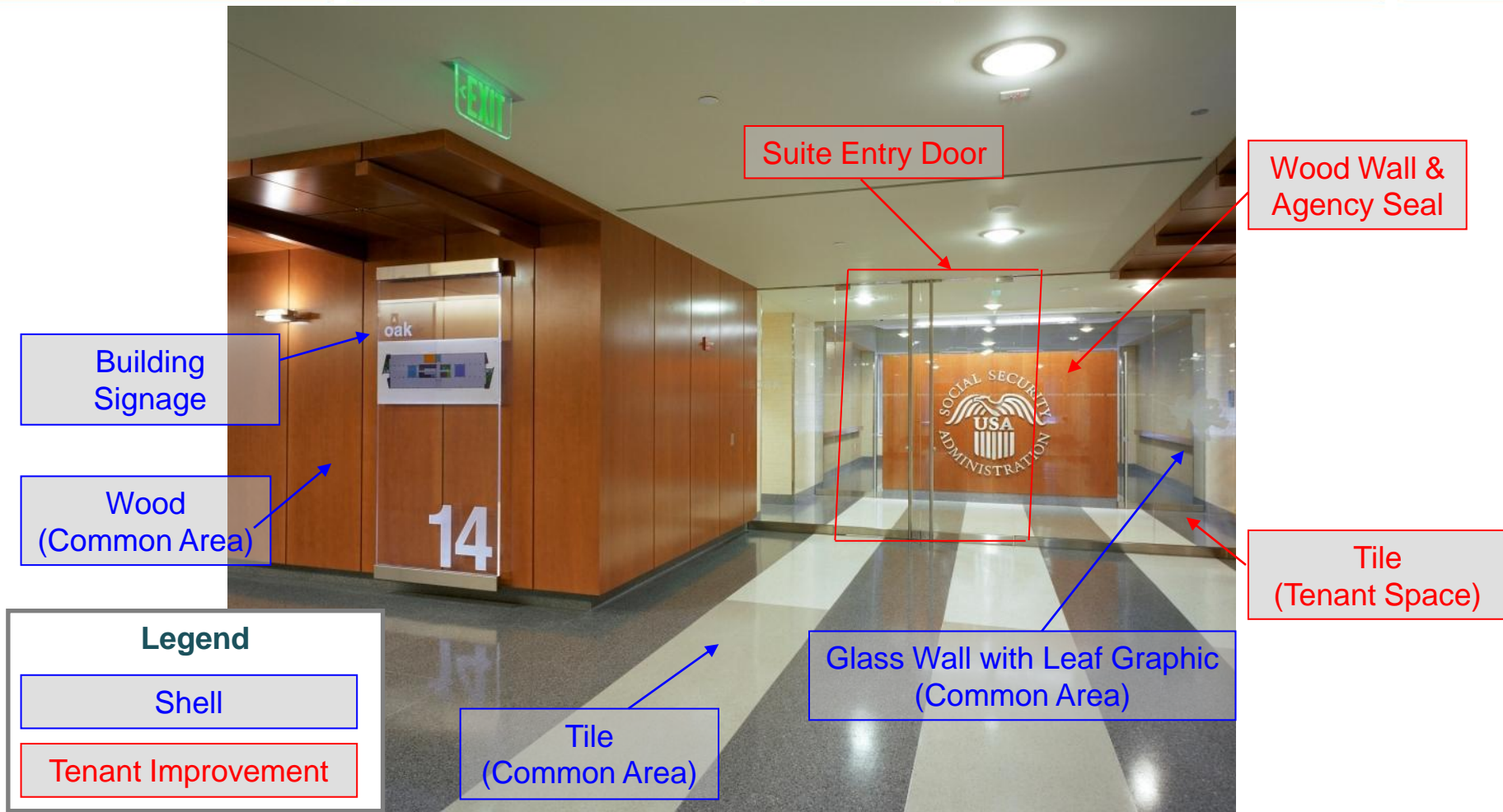
- Furniture
- Microwaves
- Refrigerators
- Artwork
- Personal computers
- Audiovisual equipment
- Televisions for conference rooms
- Phone handsets
- Physical relocation expenses of personal property



Typical Tenant Improvements

- Electrical wiring, outlets, and horizontal conduit, including cable trays and hooks, within the tenant area and to the building core
- Floor covering
- Plumbing fixtures within the tenant area and all lines connecting to the building core
- Partitioning and wall finishes
- Doors (including suite entry), sidelights, frames, and hardware
- Thermostats
- Window treatments

Shell vs TI Example



TI Allowance

- General TI Allowance
 - Takes the space from shell to “vanilla” office space
 - Set nationally and indexed to local construction costs
 - \$38.95 per USF (Washington, D.C.)
- Customization TI Allowance
 - Takes the space from “vanilla” office space to space specifically designed to function for a particular tenant agency’s mission
 - Examples include:
 - custom cabinetry or millwork
 - private restrooms
 - raised access flooring
 - slab-to-slab walls

TI Allowance by Tier

General Allowance in D.C.
x Local Construction Index
= **General Allowance**

\$ 38.95 per USF
x 0.96 (varies by city)
= **\$ 37.39 per USF**

General Allowance
x 10% for each Tier
= **Custom Allowance**

\$ 38.95 per USF
X 20% (Tier 2)
= **\$ 7.48 per USF**

General Allowance
+ Custom Allowance
= **Total Allowance**

\$ 37.39
+ \$ 7.48
= **\$ 44.87**

TI Allowance by Functional Estimate


- The TI allowance is set in accordance with the benchmarks or cost estimates
- Must cover the cost of basic functionality that meets the tenant agency's operational requirements for its specific space use.
 - PBS is not obligated to ensure that all aspects of a tenant agency's design guidelines are incorporated into the TI allowance

TI Allowance Amortization - Leases

- Amortization term usually the firm term of the lease
- Two rules for limiting amortization terms for TIs:
 - The amortization term must not exceed the economic life of the improvements
 - The amortization term must not exceed the term of the OA
- Interest rate negotiated between the successful offeror and PBS

TI Allowance Amortization - Owned

- Standard amortization term is 10 years
- Two rules for limiting amortization terms for TIs:
 - The amortization term must not exceed the economic life of the improvements
 - The amortization term must not exceed the term of the OA
- Interest rate set annually, 10 year Treasury plus 12.5 basis points
 - 2.095% as of April 2012

 U.S. General Services Administration

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Rental Policy & Procedures

- Overview
- Pricing Policy**
- Rent Library


Rent Pricing Policy

The Pricing Desk Guide presents the policies developed by the Public Buildings Service to price real estate and related services to federal tenant agencies. The Pricing Desk Guide sets policy for the entire PBS owned and leased portfolio, and provides pricing direction for both general cases and special circumstances. It is designed to guide PBS employees in the performance of their work, and also serves as a resource for tenant agencies seeking a more thorough understanding of PBS pricing policy and its application. The Pricing Desk Guide will be revised as policy is updated, and the changed content will be clearly marked and dated.

[Pricing Desk Guide>>](#)

[PBS Order 7025.1A](#)

The shortcut to this page is www.gsa.gov/rentpricingpolicy.

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Last Reviewed 2012-11-06


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Also of Interest:

 Whitehouse.gov

 Recovery.gov

 Data.gov

 USA.gov

 BusinessUSA.gov

Regional Contacts

Regional Account Manager-

Please contact your local Account Manager for questions, or contact David Lee at (415) 522-3222 to connect you with your local Account Manager.

Real Estate Specialist-

Please contact your local Real Estate Specialist for questions regarding space requirements and OAs.

Questions?